

MICROENTERPRISE STOCK-TAKING  
GUATEMALA

A.I.D. EVALUATION OCCASIONAL PAPER NO. 22

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FOREWORD

During 1988 and 1989, A.I.D. undertook a major stock-taking of its experience in microenterprise development. The stock-taking examined differing approaches and techniques that have been used in efforts to assist microenterprises, including alternative institutional delivery mechanisms. The study was designed to identify the patterns of A.I.D. project interventions that generate success, with the goal of establishing which were the most successful programs, institutions, and delivery techniques. It required an examination of the different types of microenterprises and of the way their problems differ, and an analysis of A.I.D. project approaches, to see which work best under which conditions.

The stock-taking included a conceptual overview paper of published evaluations that identified many factors that are important to project success. It also developed a conceptual framework for analyzing the types of problems microentrepreneurs face.

The stock-taking included field assessments of A.I.D. micro-enterprise assistance projects in 10 countries. These assessments provided an excellent opportunity to examine in a systematic, consistent manner a large number of project approaches operating under a variety of economic conditions.

The final part of the stock-taking was a synthesis, which pulled together the findings of the conceptual overview paper and the field assessments to develop lessons learned and recommendations for micro-enterprise assistance programs.

Guatemala was one of the 10 countries examined in the field assessments, and the assessment focused on the Women's Development Foundation (FDM), the Small Enterprise Assistance Foundation (FAPE), and the Foundation for the Development of Socio-Economic Programs (FUNDAP). This assessment provides interesting insights on one approach to promoting microenterprise development. We think that those who are working on microenterprise programs in Washington and in the field will be able to draw on the findings of this report to help in the planning, implementation, and evaluation of other microenterprise programs.

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The team would also like to express its gratitude to the directors and staffs of the three organizations visited during this study. Each organization gave unselfishly of its time, opened its books and records to the team, organized field visits, and showed considerable kindness and hospitality. In all three cases, the team was impressed by the degree of knowledge, the level of professionalism, and the dedication of the directors and staffs. These three organizations and their executive directors are: Fundacion para el Desarrollo de la Mujer (FDM), Maritza A. Canek P; Fundacion de Asistencia para la Pequena Empresa (FAPE), Cesar Augusto Custodio C.; and Fundacion para el Desarrollo Integral de Programas Socioeconomicos (FUNDAP), Roberto Gutierrez.

Finally the team would like to express its appreciation to the numerous beneficiaries of these programs who opened up their homes and businesses to team members and were willing to speak openly about their successes and failures and their experiences under the program. Their optimism and struggle under the adverse conditions of the last decade in Guatemala have been an inspiration for us all.

SUMMARY

Guatemala is a Central American country with a population of 8.4 million. With considerable support from the United States, it is emerging from a decade of severe economic crisis and political turmoil. With highly skewed income distribution, low per capita government budgets, and half the population as members of a marginalized social/ethnic group, Guatemala has a more severe poverty problem than its \$1,000 per capita income implies. Guatemala's microenterprise sector plays a major role in the economy. An estimated 356,000 firms in this sector employ close to one million persons. These firms have virtually no ties to the formal financial sector and suffer all the problems generally associated with informality.

A.I.D. has a variety of projects assisting the small and microenterprise sector. Several of these were initiated with other objectives, and there is as yet no overall strategy guiding AID support to the sector. Other donors, particularly the Inter-American Development Bank, are also active in the sector.

Three institutions, all private voluntary organizations, were selected as case studies for this impact evaluation. Each has received AID support, each is considered to have a basically successful program, and each exhibits certain characteristics of particular interest to the understanding of what works and what does not work in providing microenterprise assistance. The institutions are:

- The Women's Development Foundation (FDM) - a private voluntary organization providing credit, training, and limited technical assistance to microenterprises owned by group of two or more women. It was initiated in 1981 with A.I.D. support and now receives A.I.D. funds through a private voluntary organization umbrella organization (ASINDES).
- The Small Business Assistance Foundation (FAPE) - a religious-oriented private voluntary organization providing credit and limited technical assistance to urban microenterprises. Initiated in 1984 with support from a U.S. private voluntary organization receiving A.I.D. funds, FAPE now participates in a large-scale government microenterprise lending program (SIMME), which has received significant A.I.D. support.
- The Foundation for the Development of Socio-Economic Programs (FUNDAP) - a regionally-based private voluntary organization, founded in 1981, which is implementing three programs, all receiving A.I.D. financing; a program encompassing sheep producers and town-based weavers, involving significant levels of technical assistance, raw

material supply, group credits, and market linkages; a similar program directed toward furniture makers in an impoverished rural town; and a microenterprise urban credit program, based on the Accion International model.

Two of the programs studies (FDM and FAPE) have had dramatic employment generation impacts. Common characteristics of these programs which appear to have a bearing on such success are loans per business in the \$1,000 to \$3,500 range, loans for both working capital and fixed asset investment, and almost all loans going for manufacturing and service business. One program only lends to existing businesses; in the other, about 50 percent are new. In both cases, the existing businesses have from one to four employees. In general, the beneficiaries of these programs are not the poorest of the poor but are people of modest means who have a skill and have accumulated some assets.

In the third program studies (FUNDAP), one of the activities (the sheep production subprogram) has had a noticeable income generation impact, apparently due to the quantity and quality of the technical assistance provided and the establishment of market linkages. FUNDAP's artisan activities have had a limited impact to date, apparently due to the inability to establish just the right combination of credit, raw material access, technical, and marketing assistance appropriate for the beneficiaries being served. FUNDAP's microenterprise program has not been in operation long enough to observe employment or income impact.

#### Factors Influencing Project Performance and Impact

- (1) The microenterprise development projects are in jeopardy because of the lack of a clear project commitment to institution building or sustainability.
- (2) The creation of trade or industry-specific beneficiary groups was an effective, cost-efficient way of reaching targeted clients and leveraging project resources.
- (3) The integrated, industry-specific approach used by FUNDAP to promote the development of microenterprises is effective when a real market exists for the improved quality and quantity of the raw material and finished product.
- (4) The loan projects operated in a sound, businesslike manner.
- (5) The formal financial sector either does not or cannot reach the types of enterprises that have already benefitted from project assistance.

- (6) The FAPE and FDM microenterprise development projects achieved relatively high rates of income and employment generation by targeting low-income skilled group enterprises that had a viable enterprise or idea for an enterprise.
- (7) The FDM woman-specific project achieved its goal of lending to women-owned enterprises while avoiding concessionary terms and lending to marginal or unproductive clients.

#### Lessons Learned, Implications for Future Project Directions

- (1) Microenterprise development projects should have especially clear goals with regard to institutional sustainability.
- (2) More attention should be placed on graduating the credit institutions aiding microenterprises rather than on graduating the microenterprises themselves.
- (3) The creation of new market channels that ensure that the products of the assigned enterprise have a viable market is important to the success of the project and enterprise.
- (4) The use of group or association-based training or technology transfer is particularly effective in insular, rural communities with a high proportion of indigenous people.
- (5) Greater employment and income generation impacts accrue from projects oriented towards servicing microenterprises than projects servicing the community through microenterprise development.
- (6) Women-specific microenterprise development programs can be successful if operated in a businesslike manner by lending on the basis of economic performance and not on the basis of female ownership.
- (7) Microenterprise lending projects are more likely to be successful if operated in a businesslike manner.
- (8) Microenterprise development projects can have significant secondary impact by focusing the attention of the host-country government or other donors on a region or sector of economic activity.
- (9) The use of umbrella agencies as channels for funding appear to have a limited potential to contribute to the institutional sustainability of private voluntary organizations assisting microenterprises.

GLOSSARY

A.I.D.	Agency for International Development
A.I.D./W	A.I.D./Washington (referring to the Agency for International Development's Washington Headquarters)
ASINDES	Asociacion de Entidades de Desarrollo y de Servicio No-Gubernamentales de Guatemala (Association of Guatemalan Nongovernmental Development Service Agencies)
ATI	Appropriate Technology International
BANEX	Banco de Exportacion (Export Bank)
BANTRAB	Banco de los Trabajadores (Workers' Bank)
CABEI	Central American Bank for Economic Integration
CAEM	Camara Empresarial (Chamber of Business)
CBI	Caribbean Basin Initiative
CORFINA	Corporacion Financiera Nacional (National Finance Corporation)
ESF	Economic Support Funds
FAPE	Fundacion para Asistencia a la Pequena Empresa (Small Enterprise Assistance Foundation)
FDM	Fundacion para el Desarrollo de la Mujer (Women's Development Foundation)
FUNDAP	Fundacion para el Desarrollo Integral de Programas Socioeconomicos (Foundation for the Development of Socio-Economic Programs)
FUNDEMIX	Fundacion Desarrollo de Mixco (Mixco Development Foundation)
FUNDESEM	Fundacion para et Desarrollo Empresarial (Business Development Foundation)
FUNDESPE	Fundacion para el Desarrollo de la Paquena Empresa (Small Business Development Foundation)

FUNTEC	Fundacion Tecnologica (Technology Foundation)
IAF	Inter-American Foundation
IDB	Inter-American Development Bank
IESC	International Executive Service Corps
IIDI	Institute for International Development, Inc.
INE	Instituto Nacional de Estadistica (National Statistics Institute)
MICROS	Fundacion para el Desarrollo de la Microempresa (Microenterprise Development Foundation)
PACT	Private Agencies Collaborating Together
PADF	Pan-American Development Foundation
PROSEM	Promocion y Servicios Empresariales (Business Promotion and Services)
SEGEPLAN	Secretaria General de Planificacion Economica (Economic Planning General Secretariat)
SIMME	Sistema Multiplicador de la Micro-Empresa (Microenterprise Multiplier System)
UNDP	United Nations Development Program

## 1. COUNTRY SETTING

Guatemala is a country of 42,100 square miles, located in northern Central America, bordered by Mexico, Belize, Honduras, El Salvador, the Caribbean Sea, and the Pacific Ocean. It has a population of approximately 8.4 million, heavily concentrated in the highlands. Guatemala's population is over 60 percent rural, with 72 percent of the rural population engaged in agriculture.

There are two main ethnic groups, the Mayan Indians and the Mestizos. The Mayan Indians, representing nearly one-half of the population and concentrated in the highlands, are distinguished by their dress, native languages, conservative cultural values, and strong ties to the land. They have a 450 year history of continuous exploitation, and live economically and politically on the margin of society. The Mestizo, also representing about half of the population, include many poor people. However, the Mestizo have been more successful in developing and maintaining political, economic, and cultural power. Finally, there are small groups of whites in the cities and blacks on the Caribbean coast.

Guatemala has a convoluted political history, with long periods of civilian and military dictatorships. In the 1970s and early 1980s, national politics were further complicated by the emergence of left-wing guerrilla groups, which made significant inroads in many rural areas. The guerrilla movement was weakened and democracy restored with the constituent assembly election in 1984, the presidential election in 1985, and the inauguration of a Christian Democrat president in January 1986. While extremism of both the left and the right persists, the country is more stable politically than it has been in many years.

Guatemala enjoyed decades of economic growth and relative prosperity until 1978, when GDP growth rates began to decline, reaching negative growth in 1982. Affected by the world-wide recession, low prices for its principal exports, growing political turmoil, and a series of poor policy decisions, Guatemala experienced a trade deficit in 1979. By 1982, Guatemala was in the midst of the most severe and longest period of economic recession in its history. Budget deficits and unemployment surged, with the budget deficit reaching 7 percent of GDP in 1981, drastically weakening the Quetzal, the national currency. By 1981, gross international reserves had fallen to \$21 million, down from \$744 million in 1977.

Courageous reform measures by the current administration have successfully reversed the economic recession. In 1987, the economy grew at a rate of 3.1 percent, and inflation was reduced from 40 percent to under 10 percent. The growth in the money supply fell from 56 percent in 1985 to 13 percent in 1986. The Quetzal was devalued and stabilized at 2.7 to the dollar, and is no longer considered overvalued. Interest rates are now positive in real terms. Investment is up and the government deficit down. Production of the traditional export crops coffee, cotton, and bananas is up, along with private sector saving, investment, and production. While per capita income is still more than 10 percent below 1980 levels, a potentially sustainable recovery is underway and supported by United States economic assistance.

Guatemala, according to A.I.D. documents, has the most unfavorably skewed income distribution in Central America. Despite a relatively high per capita income Guatemala has a severe poverty problem. The quality of life indicators are on a par with countries with much lower per capita incomes. In such measurements as literacy, life expectancy, infant mortality, overall mortality, and percent of population with potable water, Guatemala ranks lowest in the region or second lowest to Honduras.

The poverty situation is much worse in the highlands where the Indian population is concentrated. According to A.I.D.'s current Country Development Strategy Statement, in the highlands life expectancy is only 44 years; 85 percent of the children are malnourished; over 50 percent of the children aged 7 to 14 do not attend school; and medical services are virtually nonexistent. The average family plot is less than one hectare, insuring an insufficient food supply. The quality of life indicators indicate that poverty in Guatemala is still primarily a rural problem in spite of the rapid growth of the urban slums.

The microenterprise sector has assumed an increasingly significant role in the Guatemalan economy in recent years. The urban informal sector is estimated to have grown an average of 10 percent per year over the past decade. According to a 1987 census, 26 percent of the economically active Guatemalan population are employed in nonagricultural enterprises employing five or fewer individuals.

Several factors have contributed to the rapid expansion of the microenterprise sector. First, the inability of the rural economy to provide jobs compounded by the severe political instability in rural areas, the economic crisis, and the 1976 earthquake led to massive migration to urban areas. Second, the decline in industrial growth based on the import substitution

model of industrialization and the sharp drop in private sector investment over the last five years has reduced the labor absorption capacity of private industry. Open unemployment affected 14.1 percent of the labor force in 1986. Unemployment and underemployment were estimated to affect 42 percent of the labor force.

A 1987 survey by the National Statistics Institute (INE) indicates that there are 356,000 establishments in Guatemala with five or fewer employed individuals. Urban microenterprises (manufacturing and service enterprises) average 2.7 workers in size, including owners and part-time workers. Another study, which included commerce, found that urban microenterprises were employing an average of 2.03 workers, with 97 percent of the retail businesses employing only the owners. In this latter study, 96.6 percent of the microenterprises had four or fewer employees. Over 80 percent of the businesses surveyed had fixed assets of less than \$1,850.

Microenterprises are concentrated in central urban areas. INE data indicate that 96,000 enterprises, or 27 percent of the total nationwide are from the Department of Guatemala alone. another study of the informal sector calculates that there are 125,000 microenterprise establishments in the central urban areas of the urban areas; in one study, 59 percent of microentrepreneurs in the urban centers of Guatemala City and Quetzaltenango were from rural areas.

A 1986 survey of the informal sector found that 78 percent of entrepreneurs had been salaried workers when they started their businesses, while only 5.7 percent had been unemployed, indicating that entrepreneurship is not a refuge of last resort for the unemployed. These firms had been in operation for an average of ten years.

Women have a significant presence in the microenterprise sector, with a heavy representation in commerce. Sixty-three percent of the establishments with five or fewer workers in the commercial sector in Guatemala are operated by women. Women also have a considerable role in manufacturing enterprises. In a recent Accion International study, one-third of informal manufacturing firms with fewer than 10 workers in Guatemala City and Quetzaltenango were found to be operated by women. Microenterprises operated by women in Guatemala tend to be the smallest enterprises; they are often one person or family-run firms. According to 1987 census data, one-fourth of the one-person firms in Guatemala are operated by women.

Over half of microenterprises in Guatemala are in the commercial sector, while 35 percent are engaged in production and 13 percent in services. The number of microenterprises in the service sector may be significantly higher than these data indicate. A recent study of the informal sector, which excluded commercial firms, found that 43 percent of microentrepreneurs in central-urban Guatemala were engaged in service businesses, while 57 percent were engaged in production.

Lack of capital was found to be a principal constraint by 70 percent of microenterprises surveyed in the Accion study, while marketing problems were cited as a constraint by 20 percent. Nearly three-fourths (73 percent) of those surveyed did not maintain records of any kind, indicating a lack of business training or skills. Approximately one-fourth of those surveyed identified business training as a need. Another study found that the microentrepreneurs currently had a limited demand for training; only 3.1 percent stated a need for training.

A 1985 study indicates that the financial system is comprised of two foreign-owned banks (Bank of America and Lloyds), 12 Guatemalan-owned private commercial banks, one bank with mixed financing (the Workers' Bank - BANTRAB), and three state-owned banks (The National Agrarian Development Bank, the National Housing Bank, and the National Mortgage Bank). Since that study was carried out, several additional Guatemalan-owned private banks have been created. The formal financial system is also composed of five finance companies, one state-owned and the others privately-owned. There are also 11 firms which provide credit for commodity inventories, 13 insurance companies, and one mortgage broker.

The formal financial sector shows little interest in lending to small clients. Only 5.2 percent of the total portfolio value was in loans of less than \$10,000. There are a number of reasons for the lack of interest, including high transaction costs, strict collateral requirements imposed by the Superintendent of Banks, a requirement that borrowers have a checking or savings account, and a comfortable environment in which the banks see no need to change the profitable status quo. In addition, some years ago a number of private banks participated in a small business lending program in which the Government provided loan guarantees. After significant defaults occurred, the government reneged on its guarantees.

In addition, to the above formal financial institutions, there is a network of what might be considered the semi-formal financial system, composed of well over one hundred credit unions, cooperatives, and PVOs which lend to their members or

beneficiaries. As these institutions are much less regulated than the banks it is difficult to estimate the size of their activity. In general, they are small, weak institutions. Finally, there is an informal financial market of indeterminate size composed of suppliers' credits, advances on sales, and moneylenders. The informal sector constitutes the principle source of funds for microenterpreneurs. This informal sector constitutes the principal source of funds for microentrepreneurs. The interest rate offered by the informal market to small producers is approximately 10 percent per month, while the rate to small commercial enterprises may be as high as 10 percent per day.

The financial constraint is not the only one facing microentrepreneurs. They are also constrained by the lack of business and management skills, inadequate marketing skills, poor record keeping, and a hostile legal environment. A critical constraint is the firms' very lack of formality in the legal sense. For example informal firms cannot issue invoices, which limits the linkages they can make with buyers from the formal sector.

## 2. DONOR ACTIVITIES IN SUPPORT OF SMALL AND MICROENTERPRISE

The A.I.D. Office of Private Sector Programs, has only been in operation since mid-1987. It is staffed by one person who concentrates on microenterprise activities. However, even as far back as 1981, A.I.D. was financing small and microenterprise projects, although these activities were usually attached to other objectives, such as women in development or agro-industrial development. Two of these earlier projects, both now completed, had significant small and microenterprise components. The Women in Development Project helped to establish the Women's Development Foundation (FDM). The Rural Enterprise Development Project supported technical assistance and appropriate technology research through the government's Technical Training Institute (INTECAP) and provided credit funds through a state-owned financial institution (CORFINA) for the financing of rural enterprises. The focus was not exclusively on small and microenterprises.

Two other projects, initiated somewhat later and still on-going, have a small portion of their assistance directed to small and microenterprise lending. The Agribusiness Development Project sponsors a variety of activities involving nontraditional export crops. Also, the Cooperative Development Project furnished a capitalization grant to the National Credit Union Federation of Guatemala, to assist seven federations and their

member cooperatives in recapitalizing themselves and in improving performance. One federation, the Credit Union League, and its 86 affiliated rural cooperatives are specifically involved in microenterprise lending.

Other projects directed to the microenterprise sector in A.I.D.'s active portfolio are:

- (1) The Private Sector Development Coordination, which provides grants to the Chamber of Business, principally to help support the activities of two private voluntary organizations: the Technology Foundation (FUNTEC), a training institute; and the Foundation for the Development of Socio-Economic Programs (FUNDAP).
- (2) The Micro-Business Promotion Project, which implements microenterprise assistance through the Technology Foundation (FUNTEC) and the Foundation for the Development of Socio-Economic Program (FUNDAP).
- (3) The ASINDES Development Program, developed to strengthen Guatemala's Private Voluntary Organization umbrella alliance, which is ASINDES. A relatively minor portion of this assistance has gone to PVOs which work in the small and microenterprise field.
- (4) The SIMME program, which provides credit to urban small and microenterprises. This is a program in the Office of the Vice President of Guatemala and operates through six PVOs specifically to provide credit to urban enterprises. To date, it has received the equivalent of \$1.8 million from A.I.D. in the form of local currency generated from ESF transfers.

In addition, other small and microenterprise activities in Guatemala with A.I.D. support include projects supported by CARE, the International Institute for Development, Inc., the Pan American Development Foundation, and the International Executive Service Corps.

Other planned, or not yet implemented A.I.D. microenterprise projects include: (1) the Private Enterprise Development Project with small business training and policy components, (2) the Rural Electrification III Project, with a credit component for credit to small rural enterprises, and (3) the proposed Microenterprise Development Project.

Other donors are also active in small and microenterprise assistance. Peace Corps, which has long assisted microenterprise in Guatemala through rural cooperatives, has just placed 10 Volunteers with business backgrounds to serve as a link between microenterprises and a variety of cooperatives, PVOs, and other organizations which might assist them.

The Inter-American Development Bank (IDB) is providing \$1.1 million in technical assistance to assist the SIMME program directly, has approved assistance to four PVOs which in turn assist small and microbusinesses through small loan funds or technical assistance programs, including the Fundacion para el Desarrollo de la Mujer (FDM) and the Fundacion de Asistencia para la Pequena Empresa (FAPE).

The United Nations Development Programme is supporting the SIMME program through \$200,000 for technical assistance, operating expenses, and computer equipment. The U.N. also assists the Ministry of Finance's Rural Community Enterprise Project, the Ministry of Agriculture's Small Agricultural Projects program, and the Trickly-Up Program.

CABEI is supporting a \$3 million small enterprise credit program, aimed at firms with 10 to 30 employees. Modest amounts of assistance to PVOs assisting small and microenterprises have also been provided by the IAF and by several private foundations in the U.S. and Europe.

### 3. DESCRIPTION AND ANALYSIS OF THREE A.I.D.-FINANCED AND MICROENTERPRISE PROGRAMS

#### 3.1 Women's Development Foundation (FDM)

FDM is a local private voluntary organization which provides small business loans to new or existing enterprises owned by groups of women. On September 30, 1981, A.I.D. provided a \$305,000 grant including \$180,530 used to establish the loan fund. FDM approved its first loan in September 1982, and was fully registered with the government in late 1983.

Forty-two loan requests were received, and 33 were approved. The loans, averaging \$5,470 in size, were available for any type of business activity, new or existing, which promised to generate a viable return for its owners. Twelve of the loans were for manufacturing activities, five for services, twelve for commerce, and four for animal raising. The service activities utilized smaller than average credits (averaging \$3,199) and the animal

raising larger than average (averaging \$8,200), with no significant difference between the manufacturing and commercial credits. Fourteen of the loans (42 percent) went to urban enterprises, with 19 loans (58 percent) to rural enterprises.

In accordance with its philosophy, FDM loaned only to groups of women. Four of the 33 loans were to groups of three, the remainder to groups of two. The loans were generally for a mix of capital investment and working capital, with capital investment representing approximately two-thirds of the total portfolio. Terms ranged from 15 to 60 months, with an average term of 33 months. Interest rates were eight percent plus a one percent administrative fee, which is below the existing bank rate. Some loans had a one to three month grace period, during which interest but not principal was due. All loans were secured either by co-signers, financial reserves, property, or a combination of the three.

The remaining \$124,470 of the A.I.D. grant plus \$176,274 in other grant funding was used for staff salaries, operating expenses, the purchase of a vehicle, and limited training and technical assistance for clients. When the A.I.D. project ended on March 31, 1984, FDM was a functioning organization, but with a portfolio too small to generate sufficient revenues to cover expenses.

In 1985, the Inter-American Development Bank (IDB) and International Development Association (IDA) provided FDM a long-term, one percent loan of \$300,000 for the credit fund and an additional \$80,000 to be used for technical assistance. Under the World Bank Agreement, FDM agreed to make loans available only to groups of five or more women proprietors. The family incomes of these women could not exceed \$68.25 per person per month. Ten predominantly rural provinces were targeted. Interest was fixed at 9 percent and the various terms and loan limits were similar to those under the A.I.D. project. However, loans were not permitted for commercial enterprises.

The IDB-funded loan program started slowly, and it became apparent that certain modifications were required. One was to reduce the group size to a minimum of two, as it proved difficult to find five or more women interested as serving as co-proprietors. Another was to expand the geographic area, to the entire country. There was also a modification in the income limit due to inflation, but by the time it was modified a devaluation had occurred, and it ended up being the equivalent of \$43.26 per person per month. Also, the IDB permitted FDM to raise the interest rates to 12 percent.

Another reason the program lagged was that throughout 1986 the Guatemalan currency was weakening, and a devaluation was expected. Since FDM's loan was to be repaid in dollars, FDM wanted to avoid decapitalization by avoiding loans which would be repaid in devalued Quetzales. Hence, from August 1985 through December 1986, FDM approved only nine loans for a total of \$81,500. FDM was better served by earning interest and by keeping the loan fund in the bank, than by lending the funds out only to receive devalued currency in return.

After the Quetzal was devalued by 250 percent, the portfolio grew quickly. During 1987, FDM approved 97 loans for \$218,500. In all, the 106 loans averaged \$2,830. Sixty-eight loans (64 percent) were for manufacturing activities, 28 loans (26 percent) for service businesses, and the remaining 10 loans (9 percent) for animal raising. Loan value by sector closely matched the number of loans.

While no specific urban/rural breakdown was available, only 26 percent of the amount was lent in the greater Guatemala City area, the majority of funds going to areas with rural characteristics. Thirty-three percent of the total went for working capital, the remainder for capital investment. The IDB did not permit its funds to be loaned for trading activities. Capital investment represented 54 percent of the number of loans. Only in animal raising did working capital make up the major portion of the loans, since the funds which went to purchase chicks or lambs were considered working capital. If the animal raising loans are excluded, working capital made up only 36 percent of the number of loans. Financing charges in large part are made up of the 3 percent fee the government charges on all loans made. The rest are various legal fees. In all, 4.6 percent of the loan amounts went to cover such charges.

Loan Value by Sector of Total Portfolio  
(In \$US thousands, with percentage for working capital and capital Investment)

	Manufac.	%	Services	%	Animal	%	Total	%
Working Capital	60.1	43	9.8	18.0	28.6	75.0	96.6	41.5
Capital Invest.	73.0	52	43.0	77.5	7.3	21.5	123.5	54.0
Finance Charges	6.7	5	2.6	4.5	1.2	3.5	10.6	4.5
	\$139.8		\$55.4		\$34.2		\$229.7	

During this Period FDM initiated a training program, consisting of one-week long training sessions on management and finance topics for a total of 145 beneficiaries. These sessions were paid for by a West German foundation. An IDB technical assistance grant was used by staff members to work with potential clients to develop a loan application, and provide structured technical assistance once the loan was received.

By late 1987 FDM had effective operating procedures able to handle an active portfolio of 140 loans with an average of eight new loans a month. Interest rates were adjusted to the commercial bank rate of 16 percent. Clients were repaying FDM directly or through established accounts at local banks. The total portfolio was still only one-third the estimated \$1 million needed to be self-sustaining. FDM sustained its operation on a modest scale in 1987 and 1988. It received small grants from Catholic Relief Services; a West German private voluntary organization, Un Solo Mundo; and ASINDES, an association of 26 Guatemalan private voluntary organization which receives A.I.D. funding through PACT.

Including reflows, as of October 15, 1988, FDM made 180 loans, for a total of \$560,250, with an average loan size of \$3,112. Of the 180 loans, 144 were active, the remainder having been paid in full. Given devaluation and various other factors the current value of FDM's portfolio is approximately \$302,000.

### 3.1.1 Findings and Analysis

Beneficiary Considerations. FDM's target group is not the poorest of the poor. They are generally women of working or lower-middle class families, who already have a skill such as sewing or hair dressing, and who have either a nascent enterprise or the dream of starting one. FDM believes that such women need both capital investment to buy sewing machiensor hair dryers, and working capital to start enterprises. The impact data show that this approach works well.

A review of FDM's portfolio reveals that the manufacturing sector is dominated by the making of clothes, tablecloths, bedspreads, and related items, followed by bread and pastry baking. Beauty salons predominate in the service industry. These three types of businesses account for at least half of FDM's portfolio. FDM loans have supported the on-going operations of established businesses as well as the creation of new firms. Data are not available on whether the firms existed or not prior to receiving the loans. However, FDM estimates that about half its portfolio is made up of new starts. Of the 14

businesses visited during the study, seven began with the loan and seven existed prior to the loan.

The 105 client enterprises employ 376 full-time workers, giving a cost per job of \$797 based on the amount of the FDM loans they received. An evaluation of the portfolio did not make a distinction between jobs existing before the loans were made and jobs created after the loans--considering existing jobs to be "reinforced" and of equal value as new jobs. In the 14 businesses visited, 49 people were employed full-time. Fourteen of these jobs existed before the FDM loans. The 35 new jobs were created at a cost of \$914 per full-time job. If the 14 previously existing positions are added, the cost per jobs created or reinforced is \$653.

In the firms borrowing from FDM, 80 percent of the workers were women and 20 percent were men in the evaluation. In the 14 businesses visited, 72 percent of jobs were held by women, and 28 percent by men. In addition, children and other adult relatives were employed part-time at varying levels of remuneration. The average monthly wage of the full-time jobs was \$39.69 which compares favorably with Guatemala's minimum wage.

Data from financial statements gathered for the IDB evaluation and from field visits confirm the general profitability and solvency of the beneficiary firms. According to the financial statements from the 105 client enterprises total monthly sales average \$82,513, with production costs of \$49,402 and other operating costs of \$16,910, giving monthly net profits of \$16,201, or 19 percent of sales. On a yearly basis, net profits represent a 58 percent return on total assets held by the enterprises. It is interesting that service enterprises had the highest percentage return (75 percent), followed by manufacturing (57 percent), with animal raising businesses. A security margin figure, representing how much sales would have to decline before the enterprises could not meet loan payments was calculated at an average of 49 percent. Total assets of the 105 firms were \$334,733, with 28 percent representing working capital, and the remainder fixed assets.

Repayment Schedules. FDM has had a mixed record in regard to payment performance. Of the 180 loans made, 135 (75 percent) are paid or are current, 21 (12 percent) are 31 to 60 days behind, four (2 percent) are 61 to 90 days behind, and 20 (11 percent) are more which are than 90 days behind. In some cases, the delay is only one of receiving information from rural bank branches on payments actually made, and in others the borrowers have asked for a rescheduling due to illness or some other problem. The 20 loans 90 days past due are more serious. Six

borrowers have signed rescheduling agreements and are catching up in their payments. Other loans are in various stages of working out an agreement or are in legal action. FDM considers four of the loans uncollectible. The 20 delinquent loans represent 16 percent of the outstanding loan portfolio. The four uncollectible loans represent 2.3 percent of the portfolio.

FDM has improved its loan collection through experience. Over 18 percent of the original A.I.D. funded loans are still more than 90 days behind, while only 10 percent of the World Bank-funded loans are. All four of the loans considered uncollectible are from the A.I.D. group. FDM attributes this in part to the poor performance of commercial enterprise loans which A.I.D. permitted but the IDB did not. FDM has found these to be riskier loans, and indeed two of the four uncollectible loans were to small stores.

Graduation. FDM has no data available on clients who have graduated to formal financial markets after paying back their FDM loans. The FDM Executive Director claims that some clients were able to get credit from formal financial sources, but cannot be more specific. Since FDM's policy is to give clients just one loan, with no post-payment monitoring it is difficult to measure the extent of graduation to the formal sector.

Technical Assistance. Generally, all clients receive the same amount of technical assistance from the staff, and the majority of clients have participated in the one-week training course. During the field visits, the confidential interviews with 14 proprietors revealed that all were enthusiastic about both types of assistance and said they found them highly useful. The interviewer, however, found little difference in record keeping between those who had attended the course and those who had not.

Group-Based Lending. There is little desire on the part of Guatemalan women to form groups to operate the enterprises served by the project, as was clearly demonstrated by the small number of loans made when the IDB imposed the minimum five-women-per-group requirement. FDM was successful in modifying the criteria to accept two women as a group. Two related co-owners of an enterprise can hardly be called a group, but this arrangement forms the majority of "group" loans.

To overcome the reluctance of group activity, FDM encourages the group to be formed of relatives or close friends. Almost all the 180 client groups have been composed of just two women. Of the 14 groups visited, 13 had two members, and 11 of them were

pairs of relatives, often a mother-daughter, or two sisters. The other groups were pairs of friends who had worked together before. In seven cases, both members were active in the enterprise, in the other seven, only one woman actually ran the enterprise.

While FDM appears to be stretching the point of making group loans, the dominant partner generally spoke of the importance of having a partner during the difficult early months of the enterprise. Having a close relative or friend as a cosigner of the loan tends to put more pressure on the dominant partner to make the business work. So, FDM's practical approach to "group lending" appears to be working well.

### 3.1.2 Project Sustainability

FDM has survived seven years, developed a trained dedicated staff, has reasonably efficient operating procedures, and has been effective in reaching its target group. However, FDM is not financially stable and requires further assistance to enable it to build its capital to the point of self-sufficiency. It does not see any way of meeting these capital needs nor finding a way to cover operating expenses.

In 1987, FDM mad 104 loans totalling \$234,372, with a year-end portfolio of approximately \$268,700. Total operating expenses were \$47,083, including:

Staff salaries	\$29,720
Consultants and trainers	3,098
Office expenses	5,154
Travel and per diem	5,652
Vehicle expenses	2,865
Training costs	594
Depreciation	686
Reserves for bad loans	5,178 (2% of loans made)

These expenses certainly cannot be considered excessive. They are equal to 20 percent of the value of the year-end portfolio, but they constitute a higher percentage of the average portfolio during the year. With new loans being made at 12 percent interest during 1987 and older loans fixed at 9 percent, FDM was far from covering its costs. Only 18 percent of its operating costs were covered from revenues. Even with \$22,000 in donations in 1987, FDM had a net loss for the year of \$17,035, covering on 63 percent of costs.

During 1988, FDM raised its interest rate from 12 to 14 percent, and again to 16 percent. It has developed some creative new methods of local fund raising. A precise determination of its break-even point for 1988 and beyond requires more analysis including assumptions made on additional staff, office space, inflation, and devaluation. Nonetheless, FDM's estimate of \$1 million portfolio as a break-even point does not seem unreasonable, although a level some 20 to 25 percent below that might be more realistic.

FDM is finding it difficult to attract sufficient donor support to bring its capital up to the self-sufficiency level. A.I.D. has opted to support FDM and other PVOs through the ASINDES umbrella mechanism. While this is attractive to A.I.D. from a management point of view. FDM does not consider this A.I.D.-assisted mechanism a reliable source of funding. First, ASINDES has 26 PVOs to attend to and there is a consensus among them that each must get their share. As of November 1988, ASINDES grants for PVOs were budgeted at \$24,000 each. Second, it is unclear whether government transfers to ASINDES in local currency from the Guatemalan government can be expected to continue in the future. Finally, the ASINDES approval process is awkward and not geared toward PVOs whose mission is to supply credit quickly and in small increments.

FDM was seriously affected in 1986 when the Quetzal was devalued from one to 2.5 per dollar. In order to stay solvent, capital had to be used to cover operating costs. FDM has utilized a substantial portion of the reflows from the original A.I.D.-financed loans to cover operating expenses. Also it has been conservative in making new loans from the A.I.D. and IDB reflows, apparently preferring the security of bank interest to the risks of lending to microenterprises. On October 15, 1988, FDM had \$79,956 in bank accounts, over a quarter of the value of its outstanding portfolio.

It should be noted that FDM gives training courses only when it receives specific donations for that purpose. In 1987 it gave one such course, for 45 participants. Generally, FDM's training courses cost from about \$55 to \$88 per person, much of it for room and board for the participants over the five day period of the course.

It would be ironic if an institution which has succeeded in getting other businesses started should fail. There seem to be few measures that can be taken to further reduce costs. On the revenue side, FDM is not charging the bank interest rate, although older loans are locked into lower rates. Although the bank rate is as high as FDM thinks it can charge, it might

consider adding certain fees, which would still make it a more competitive lender than the informal market. Basically, though, the only solution to FDM's financial problems is to have a larger portfolio to absorb its costs.

### 3.2 Small Enterprise Assistance Foundation (FAPE)

FAPE, a private voluntary organization with a religious orientation, was established in 1984 with a \$307,000 grant from the Institute for International Development (IIDI). The grant created a loan fund for small industry development, an area that IIDI entered in 1979. FAPE policy has been to lend to existing small and micro-enterprises with assets under Q35,000 (\$13,000); new firms were considered too risky. Under the IIDI grant, FAPE could provide loans from \$200 to \$10,000 to small firms, for an average term of 24 months. The first IIDI loan was approved in January 1985. From 1985 through 1987, 155 loans were made for Q677,050 (\$300,000, adjusting for a 250 percent devaluation in the middle of the period), with an average loan size of Q4,368 (\$1,835).

Fifty-two percent of the IIDI loans were to enterprises within the 20 zones of Guatemalan City and 48 percent to the adjoining municipalities of San Juan Sacatepaquez, San Pedro Sacatepaquez, Patzun, Chimaltenango, and Antigua Guatemala. San Juan and San Pedro are industrial districts with a heavy concentration of small clothing manufacturing firms. Loans activity for the three year period reflect the following:

Type of Borrower by Loan Number and Value

Type of Business	No. of Loans	%	Q.Amount	\$ Amount	%
Industry	98	63	542,000	200,740	80
Services	12	8	21,850	8,092	3
Artisan (1987 only)	22	14	65,100	24,111	10
Agriculture	18	12	36,900	13,666	5
Other	<u>5</u>	<u>3</u>	<u>11,200</u>	<u>4,148</u>	<u>2</u>
	155	100%	677,050	250,759	100%

The major lending focus was on small productive activities, which accounted for 63 percent of the number of loans and 80 percent of loan value. Most of these clients were in the woodworking, metalworking, leather, clothing, and food industries.

The initial IIDI grant of \$307,000 is represented by a current loan portfolio of Q500,000 (\$185,185 at current exchange rates). An IIDI tenet is that financial support to each agency ceases after a three to five year period and that the agency continue with its own and other donor resources. IIDI has provided limited in-kind support, but no additional financial resources.

The training and technical assistance component of the project is limited, although FAPE insists that a pre-loan "financial control" course is a requirement. Program data indicate that 12 training courses were given in 1987, nine of which were on accounting. The most effective training received by the borrowers seems to be the monthly one-on-one visit by the "assessor," who monitors the loan and supervises the conduct of the business. This monitor purports to keep track of any operational problems, to determine if the loans are being used properly, and to maintain an on-going assessment of the business. This supervision culminates in a year-end evaluation, at which time each borrower's progress is analyzed prior to deciding on a corrective strategy to be implemented in the coming year.

Since early 1988, FAPE has been receiving financial assistance from a new government program, the Microenterprise Multiplier System (SIMME). The SIMME program, created by the Vice President of Guatemala with an initial capitalization of \$3,392 million, was designed to help local private voluntary organizations create employment through urban microenterprise development. The technical secretariat of SIMME has contracted six non-governmental organizations to carry out the program; one of these is FAPE. The program has received \$1.8 million from A.I.D. local currency generation and \$1.1 million in technical assistance from the Inter-American Development Bank.

Under the SIMME program, microenterprise are eligible for loans up to \$2,222 (Q6,000). The loan can be used for working capital, purchase of fixed assets or local modification. The firms must fulfill the following criteria to be eligible: (a) no more than six employees; (b) no more than \$4,443 (Q12,000) in assets; (c) in business for at least two years; (d) workers active largely in manual activities; and (e) little to no division of labor. Firms must also be in the manufacturing or services sector; the commercial sector was purposely excluded.

Initially, the SIMME program carried a 14 percent interest, but the current interest rate is 16 percent, on a par with the commercial bank rate. The terms are 12 to 36 months with a possible three months grace period. Prior to extending the loans, the collaborating PVOs provide training in use of credit instruments and technical support through problem-solving group sessions, as well as training from the National Training Institute.

The Workers Bank (BANTRAB) has responsibility for managing the SIMME loan incorporation into the SIMME program. Currently, of the 13 loan officers on the FAPE staff, 10 now work exclusively on SIMME loan activity. In addition, under the Workers Bank and the firm, the FAPE advisor assists in loan preparation and monitoring. As a result, FAPE does not manage the loan portfolio for its SIMME clients.

FAPE loan for nine months of 1988 under the SIMME Program average \$1,220, with a lending range of \$370 to \$2,222. The average loan term is 24 months, with a 48 month upper limit used only for fixed asset borrowing. The shorter, two year term loan is for working capital. FAPE lends to entrepreneurs in parts of Guatemala City, as designated by SIMME. Client enterprises have an average of about four employees.

Loan activity from February to mid-October 1988, shows 406 loans made to a total of 2,296 enterprises screened. The 406 loans have generated, according to FAPE, 803 jobs or 1.98 jobs per loan. FAPE data reflect that virtually all loans recipients received some pre-loan counseling, and most received personal loan supervision following loan disbursement. About two-thirds of the borrowers (271 of 406) received an in-depth, post-credit business assessment from the assessors. The delinquency rate, with all of the above assistance, was running at two to five percent.

FAPE is anticipating an Inter-American Development Bank 30 year, \$400,000, one percent loan in January 1989 for the loan fund, and a \$85,000 grant for training. The IDB loan will conform generally to SIMME Program parameters. In FAPE's in the SIMME Program (which covers the cost of all FAPE administrative and personnel resources devoted to SIMME activities) removes any present anxiety.

### 3.2.1 Findings and Analysis

Beneficiary Considerations. Data on the impact of the IIDF and SIMME programs on the FAPE borrowers were not available. However, field visits to seven FAPE clients provided an indication that the program had reached their target populations and had contributed to employment generation in these firms.

The entrepreneurs reviewed were engaged in tortilla-making, shoe-making, candy, and clothing manufacture, carpentry, printing, and refrigerator repair. The firms varied in size from two to nine workers. The loans received ranged from \$667 to \$2,593. Women do not appear to be major beneficiaries under the FAPE program. Gender-disaggregated data indicate that only nine percent of the total number of loans have been made to women entrepreneurs.

Five of the seven borrowers had never borrowed previously. All perceived the loans to be a key factor, if not the critical factor, in their business success. Four of the borrowers had used the funds for purchasing raw materials (leather, wood, cloth, and candy ingredients) while three obtained equipment that dramatically altered their business operation. The tortilla maker (\$667 loan), a woman who could not read or write, purchased an iron pan and modified her oven room. Her daily tortilla sales doubled, from about \$18.50 to \$37.00, permitting the hire of three more workers. The printer (\$2,222 loan) obtained a modern printing machine which gave him the potential to expand sales. The refrigerator repair shop owner (\$2,200 loan) purchased a compressor and soldering tools and enlarged his shop capacity.

The field visits verified the high employment generation feature of both the FAPE programs. Five of the seven enterprises visited experienced an increase in employment, sales, or both. The loans, in their view, also gave them a sense of business confidence, and a renewed ability to confront future operations with optimism.

The focus of the program has always been employment generation, with 803 new jobs created in 1988. FAPE takes pride in showing that the expenditure of each Q883 (\$327 at current exchange rates) in its program generates one added worker. FAPE officials compared this to a national average of over Q20,000 (\$7,400) to produce one job. While this ratio could not be verified and does not include the decapitalization that has occurred, other national estimates are at Q12,000 to Q15,000 (\$4,400 to \$5,500) per job created. Job creation leverage of under Q1,000 (\$370) is certainly high.

Repayment Schedules. Interest rates charged to borrowers started at 12 percent in 1985, increasing to 14 percent and then again to 16 percent in 1988, which is comparable to the prevailing bank rate. At present, an additional four percent administrative costs is borne by the borrower. Arrearage rates are currently low, and not more than a two percent loss rate is expected. FAPE's three year IIDI program for small and microenterprise had a 10 percent arrears rate. The newer SIMME program has a two to five percent rate; however, it is too early to assess how accurate this final figure is. In the field visits, two of the seven clients were one month late in their payments, but they were expected to be current "shortly."

Graduation. Graduation of microenterprises into the formal sector does not appear to be a characteristic of FAPE client. FAPE's SIMME program is too new to reflect any experience, and no data were available on graduation in the IIDI program. One of the factors cited as contributing to this trend was the rigidity of financial institutions.

### 3.2.2 Project Sustainability

FAPE's sustainability for the near term is essentially assured with its existing IIDI portfolio, its continuing role in the SIMME Program, and the forthcoming IDB loan. FAPE officials believe their IIDI program covers about 65 percent of all costs. FAPE's view is that the remaining 35 percent of costs will be covered by the SIMME Program, from which FAPE collects one-half of the revenues generated plus Q30 (\$11) per loan. SIMME is optimistic about the program and expects to expand its overall operations and participation. Other sources of income or funds include the forthcoming IDB loan and future donors.

As a result of FAPE's involvement in the SIMME program, FAPE has become increasingly dependent on this government program. Ten of FAPE's 13 technical advisors for its loan portfolio now work exclusively on the SIMME program. FAPE management is still uncertain whether the fees received for managing the SIMME program will be adequate to cover the program's long-term costs. FAPE management, which has a strong religious orientation, is also concerned about the risks associated with collaborating with a government-run program. Questions that arise include: Will there be political pressure to grant loans or excuse repayment? Could the program be shelved overnight with a change of administration? These are potential threats to the long-term sustainability of FAPE.

### 3.3 Foundation for the Development of Socio-Economic Programs (FUNDAP)

The Foundation for the Development of Socio-Economic Programs (FUNDAP) is a non-profit, private foundation based in the Western highland city of Quetzaltenango. FUNDAP was established in 1981 by a group of Guatemalan businessmen interested in promoting the socio-economic development of the country. In 1985, through an umbrella project with the Chamber of Business of Guatemala, A.I.D. provided \$350,000 in development assistance funds to FUNDAP to execute the Momostenango Project, an integrated development project supporting the cottage weaving industry in highland town of Momostenango. In 1988 A.I.D. extended the project to 1990, and provided an additional \$286,985 to FUNDAP to execute Phase II of the Momostenango Project. A.I.D. also provided an additional \$195,000 to FUNDAP to develop the Nahuala Project, a forestry management and carpentry project in highland town of Nahuala.

In 1987, A.I.D. expanded its support to FUNDAP by a \$200,000 grant for a micro-enterprise credit program with Accion International. In 1987, A.I.D. extended a grant of \$200,000 in DA funds and the equivalent of \$1.968 million in local currency (4,921,707 Quetzales) to Accion to support FUNDAP in Quetzaltenango and FUNTEC in Guatemala City to execute micro-enterprise credit programs. (Note: the exchange rate in 1987 was 2.5 Quetzales equal to one U.S. dollar.)

#### 3.3.1 The Wool Processing and Weaving Subproject in Momostenango

FUNDAP adopted a technical assistance-intensive approach to microenterprise development in the Momostenango subproject. The goals of the project were, first, to support sheep (wool) production to secure a sustained source of raw material for the small weaving enterprises; and second, to support the production and marketing of artisan wool products. The objectives were to increase employment and income of those involved in sheep raising, wool processing, and product marketing through the development of microenterprises; to promote the local economy by supporting the town's principal industry; and to develop a project implemented by the private sector which could serve as a model for other projects.

In its effort to improve sheep and wool production, FUNDAP relied on technical assistance centers and sheep stations to provide specialized services to both individual and groups of sheep herders. With the assistance of technicians from the Ministry of Agriculture, FUNDAP created 13 technical assistance

centers and provided support to four sheep stations in the Western Highlands. The technical assistance center staff provided demonstration-based training and technical assistance to groups of sheep producers in veterinary care, animal husbandry, improved seeds for pasture, wool washing, carding, and marketing. In addition, FUNDAP has helped establish a regionwide sheep producer association to provide group-based services. In the 1986-1988 period, FUNDAP has reached approximately 2,000 of an estimated 50,000 sheep producers in the Western Highlands with technical assistance and training.

Credit has not been a significant component of FUNDAP's assistance package to sheep producers. However, FUNDAP does provide credit to groups for sheet-related infrastructure expenses. There have been nine loans to sheep producers with a total value of \$7,560. The average loan size of the current portfolio is \$1,400.

In its efforts to support small weaving enterprises, FUNDAP has developed an integrated support structure in its field office in Momostenango, which consists of a raw materials bank, a weaving school, a warehouse facility, and a marketing outlet. Assistance is targeted to established firms, but a modest training component has been directed towards those seeking to become self-employed.

At the weaving school, FUNDAP provides group-based technical assistance and training in weaving, dyeing, and marketing; to date, these services have reached 60 artisan firms and 116 individuals. No fees are charged for these services.

FUNDAP has extended a total of \$8,717 in credit to 99 borrowers, both individuals and groups. Loans are extended both in raw materials from the Raw Materials Bank and in cash, for the purchase of fixed assets or expansion. The loans carry a one percent monthly interest rate with a 15 day term for loans in kind and a six-month term for loans in cash. In addition, the marketing firm extends loans to producers as an advance payment to be repaid in kind with a finished product; 73 of the 99 borrowers used this form of credit. Not surprisingly, the majority of FUNDAP's loans are for working capital.

In nearby city of Quetzaltenango, FUNDAP has established a marketing firm for artisans which extends loans in kind and markets finished products in a local retail outlet and in market abroad.

### 3.3.2 The Wood Products Subproject in Nahuala

Initiated in early 1988, the Nahuala Project is an integrated enterprise development program which aims to build on the artisan base in the region by strengthening each stage of the production of furniture and other wood products. The objectives include initiating a reforestation campaign; promoting the rational use of the forest resource; strengthening the production and commercialization of wood products; and increasing the income and employment of those involved in wood-based artisan products in Nahuala.

Using the technical assistance center model developed Momostenango, FUNDAP has provided technical assistance in seedling development, reforestation and forest maintenance. Eighteen technical assistance and reforestation centers, established by FUNDAP, have operating nurseries which rely on the involvement of the local population in planting and maintenance. Depending upon the area, about 20 to 80 percent of the community has been involved; however, the extent and nature of involvement appears to have been severely limited by local customs and lack of interest in reforestation.

For the carpenters in Nahuala, FUNDAP has created a raw materials bank, selling cedar wood, glue, paint, and other products; and a carpentry school providing technical assistance and training in production techniques. FUNDAP has postponed integrating a credit component into the Nahuala project until the loans can be effectively managed and absorbed by the local community. One of the problems in absorption of support has been the insular and almost xenophobic outlook of this community to the outside world. To date, the forestry component and the artisan component have operated independently and not as a integrated project.

### 3.3.3 PROSEM: The Microenterprise Credit Project

FUNDAP departed from this rural industry-specific approach to supporting micro-enterprises by participating in the urban-based credit, training and technical assistance project with Accion International. The PROSEM (Promocion y Servicios Empresariales) project executed by FUNDAP in Quetzaltenango builds on the Accion methodology developed in microenterprise credit programs throughout Latin America.

The target group in the PROSEM project are microentrepreneurs in manufacturing, services, and commercial sectors. Potential clients should have a permanent business site, been in operation at least one year, have growth potential,

sound character references, no access to the formal credit market, less than 10 salaried workers, and low family income. The program requires character or property-based guarantees, has a forced savings component, and extends short-term loans principally for working capital. Fixed capital loans are available to individuals after having repaid three loans for working capital. Individuals loans offered range between \$40 and \$2,500; while group loans range from \$20 to \$800 per member. Both use a phased loan approach, with microentrepreneurs receiving progressively larger loans. Finally, microentrepreneurs receive tailored technical assistance to complement the loan, and group training sessions in business development skills.

Since the program started in July 1988, 198 loans with a total loan value of \$50,842 have been made. The average loan size for individuals is \$140 and \$352 for groups of microenterprises in manufacturing and services, and \$767.90 for groups of microenterprises in commerce. The average term for repayment is three months.

FUNDAP charges interest of 2.5 percent monthly (30 percent yearly), which is higher than the commercial bank rate of 1.3 percent monthly (16 percent annually). The interest recovered is used to cover the cost of credit delivery, technical assistance and training, and unrecoverable debts. The level of arrears, the amount of capital and interest overdue and unpaid divided by the total active portfolio, is two percent.

The programs aims to be self-sufficient in three years, meaning that it would not depend on grant funds and would be able to cover its costs, including training and technical assistance costs, without decapitalizing its loan fund. Currently, after four months of operation, the program is covering 23 percent of its operating costs. This figure does not include the cost of expatriate technical assistance from Accion International. Given the strong demand for credit from PROSEM, the program is being expanded to five other municipalities in the region.

#### 3.3.4. Findings and Analysis

Given the very short implementation experience of the Nahuala and PROSEM subprojects, the findings below draw principally on the data concerning the wool processing subproject in Momostenango.

Beneficiary Considerations. FUNDAP has directed its assistance to established enterprises in an industry subsector with the potential to stimulate the economic development of this

isolated highland region. The clients have been microentrepreneurs of extremely modest means, but they are not the poorest of the poor. In the small rural town of Momostenango, the weavers have a monthly income of approximately \$101.85 (Q275) and assets of \$740 (Q2,000) on average. The firms are commonly operated by one weaver and his family with no additional paid workers. The estimated monthly income of the shepherders is only \$22.22 (Q60) monthly. The borrowers in the PROSEM program had a monthly income of approximately \$92.59 (Q250) and an average of \$1,851 (Q5,000) in assets. With the exception of shepherders, both compare quite well with Guatemala's minimum wage.

While limited gender-desegregated data are available, women have benefited from FUNDAP program. In the weaving component, women have access to loans to buy wool and courses in allowing them to work as self-employed weavers. The women representative on the board of the local weavers association stated that women traditionally had been denied all access to outside technical training, never had access to credit, and were relegated to the burdensome task of preparing yard for their husbands' weaving. In the PROSEM program, 19 percent of the individual borrowers were women and 27 percent of the group-based borrowers were women.

The total number of beneficiaries of FUNDAP's assistance has been relatively small, which is not surprising for a rural technical assistance-intensive project. The program reached 2,000 sheep producers in the Western Highlands and 175 artisans, but in both cases most of the beneficiaries were associated with producer associations increasing the potential for outreach.

Technical Assistance and Training. FUNDAP's approach to technical assistance and training draws heavily on a group-based methodology. A principal strength in the sheep-production and weaving components has been their development of sector-specific groups and regional associations, whose representatives have been able to pass on the training and technical assistance received to their membership. Another effective approach has been demonstration of specific technologies, such as sheep breeding or pasture improvement, which one group member adopts; once the impact is recognized by others, the technology is rapidly disseminated.

In the two years of implementing the sheep-production component, FUNDAP's technical assistance in the form of animal husbandry and breeding techniques, pasture improvement, and

veterinary medicine support has reduced sheep mortality in the Western Highlands from 40 percent to 5 percent, and lamb mortality from 20 percent to 2 percent. Improved breeding stock will result in significant increases in the quality and quantity of wool produced.

A significant impact has been the market access for the sheep producers to a major manufacturer of woollen products, the Capuano factory of Quetzaltenango. Groups of sheep producers, assisted by FUNDAP, no longer have to sell unwashed bulk wool to middlemen for 14.8 cents a pound; instead, they sell higher-quality, clean wool directly to the factory of 48 cents. After subtracting the costs of further processing and allowing for the decline in bulk from the cleaning, the sheep producers are now earning 20 cents (54 centavos) per pound more than they do selling in bulk to middlemen. Group interviews with sheep producers suggest that the income of those selling directly to the factory has increased considerably.

FUNDAP's technical assistance has had less of an impact on the weaving enterprises. The firms are not benefiting from access to cheaper sources of raw material supplies, as the sheep producers earn more selling wool directly to a large-scale buyer, the factory. Moreover, based on a group interview with firm owners and discussions with marketing staff, most of these firms are home-based and appear able to sustain only a modest volume of production, especially relative to the demands of the export market. Even those few microenterprises with paid workers have serious problems with maintaining a reliable work force given local customs in this strongly indigenous region.

Nonetheless, FUNDAP's creation of a marketing enterprise and training to improve produce quality has increased sales of artisan products, stabilized the work force and contributed to greater acceptance of new ideas and technical advice by existing microentrepreneurs in Momostenango, who are known for their unwillingness to break with tradition. Over the last nine months, monthly sales from the FUNDAP-operated showroom in Quetzaltenango increased from \$1,500 to \$5,500. The weavers' association has been able to increase sales because of the strong demand for an improved product and the greater success to market outlets both domestically and abroad.

Training in dyeing and weaving appears to have improved the quality of the woollen products in Momostenango. Five Momostenango weavers interviewed in a group meeting indicated that the training raised the quality of their products. However, the extent of this improvement is unclear. One buyer of Momostenango products interviews confirmed that a significant

improvement had occurred, while another stated there had been no change. There was a consensus among the weavers in Momostenango of a lack of access to steady clients and a recognition that improvement in product quality would result in greater access to steady, long-term clients. However, given labor and cultural constraints, a number of these firms lack sufficient production capacity to respond to increased demand.

Loan Operations. FUNDAP had problems in managing a loan fund for the Momostenango project in the initial phase of implementation. FUNDAP began extending loans to weaving enterprises without developing a sufficient understanding of the firm's previous credit experience. The weaving community in Momostenango had a disastrous experience a number of years ago with a credit cooperative, which folded because of financial mismanagement and diversion of funds. Weavers were reluctant to participate in another credit program given this past experience. Those who needed credit resorted to local moneylenders and paid the 10 percent per month interest. Even at these rates limited amounts of money were available.

FUNDAP underestimated the importance of training clients in credit management before extending loans. FUNDAP extended loans without requiring guarantees of any kind. This resulted in high delinquency rates and later considerable efforts to educate beneficiaries in credit management.

FUNDAP has learned from this experience. It has postponed initiation of a credit program in Nahuala until the staff feels the beneficiaries are able to manage the credit.

FUNDAP is currently in the process of centralizing the management of the credit component of each of its programs, including the Momostenango and Nahuala subprojects, in the PROSEM office in Quetzaltenango. The intention is to develop an institutional capacity to effectively administer on-going credit activities, and the loan portfolio after individual subprojects are completed. The long-term aim is to serve as a basis to promote the creation of a savings and loan institution branch office of the Quetzaltenango region.

### 3.3.5 Project Sustainability

As FUNDAP has matured, it has decreased its dependence on A.I.D. as a principal source of funding by attracting significant supplementary funding from 14 international and Guatemalan donors. The value of seven principal sources of support to date is nearly \$400,000. Many of these arrangements will be in effect after the completion of Momostenango and Nahuala subprojects,

which will help support FUNDAP's micro-enterprise activities in the future. Donors include the Ministry of Agriculture, Livestock and Food; Appropriate Technology International; the Heifer Project; Winrock International; and the Food and Agriculture Organization.

FUNDAP has made considerable efforts to professionalize its management and control procedures to increase cost-effectiveness. FUNDAP recently consolidated the administrative and technical support including accounting, computer support, project development, monitoring, and evaluation for each project in a central Unit of Project Support Services. Each project activity contributes a portion of its budget to cover these operating expenses. FUNDAP has also begun budgeting for overhead in its recent project proposals. This streamlined organizational structure has allowed FUNDAP to rationalize its operating costs and to build a stronger institutional capacity to administer a significant volume of project activity without straining the demands of its core staff.

The incorporation of PROSEM, a microenterprise credit program directed toward cost recovery and financial sustainability, into the project portfolio has strengthened overall operating capacity. The technical assistance provided to FUNDAP by Accion staff has stimulated greater awareness in FUNDAP's management of the need to generate additional revenues to cover its costs, apart from donor funds. One step in this direction is the initiative to consolidate all subproject credit activities into the PROSEM system, which has a strong cost recovery orientation. Other indications have been the recent interest of FUNDAP management to charge for advisory services extended to other non-profit entities and recent reassessment of the real staff requirements of FUNDAP.

Through PROSEM, and more efficient management, FUNDAP may be able to support the Momostenango and Nahuala Projects, or other technical assistance-intensive projects like them that have limited cost recovery potential. While the Momostenango Project charges a market price for raw materials supplied, there is no charge for training or technical assistance. The project loan portfolio is an extremely modest \$14,491, charging one percent in interest monthly, less than the official bank rate and considerably less than the 10 percent monthly paid by some artisans in the area. The reflows are deposited in a bank and not used to cover costs, but upon completion of the project will be given to beneficiaries organized in producer associations. This method of operation is currently being reassessed.

4. FACTORS INFLUENCING PROJECT PERFORMANCE AND IMPACT

- (1) The microenterprise development projects are in jeopardy because of the lack of a clear project commitment to institution building or sustainability. The three projects have all experienced some degree of success but are all faced with issues concerning their sustainability and limited ability to continue the benefit stream to their clients when project funding ends.
- (2) The creation of trade or industry-specific beneficiary groups was an effective, cost-efficient way of reaching targeted clients, and leveraging project resources. FUNDAP's development of sheep herder and artisan groups for technical in animal husbandry, wool washing and preparation, and product design by rural micro-entrepreneurs. The FDM groups of at least two women also proved effective.
- (3) The integrated, industry-specific approach used by FUNDAP to promote the development of microenterprises is effective when a real market exists for the improved quality and quantity of the raw material and finished product. The project dealt with the actual product quality and quantity constraints experienced by the wool producers that kept them from meeting the market demand. The relationship established between the sheep producer groups and a wool products factory stimulated the improvement and was instrumental in creating the successful intervention.
- (4) The loan projects operated in a sound, businesslike manner. They made secured loans at commercial bank rates of interest to established enterprises for viable business ideas. Only the PROSEM credit project extended loans above the commercial bank rate of interest. The projects had good pre- and post-loan client contact. These steps are necessary if a project is to achieve adequate repayment rates on loans. The extension of credit to micro-entrepreneurs without appropriate technical orientation and adequate credit procedures led to repayment problems for FUNDAP.
- (5) The formal financial sector either does not or cannot reach the types of enterprises that have already benefited from project assistance. The projects were unable to achieve significant rates of client graduation to the formal sector because, even after

project intervention, the formal financial institutions were unwilling to deal with small firms.

- (6) The FAPE and FDM microenterprise development project achieved relatively high rates of income and employment generation by targeting low-income skilled group enterprises that had a viable enterprise or idea for an enterprise. While this group is not the "poorest of the poor" it does seem to have more potential for increasing employment and income than the totally unskilled.
- (7) The FDM woman-specific project achieved its goal of lending to women-owned enterprises while avoiding concessionary terms and lending to marginal or unproductive clients. Enterprises were accorded credit on the basis of their business potential first, and secondly on being women-owned. Enterprises were also not targeted, except that they be women-owned, allowing a diversified portfolio of clients to reduce lending risks.

##### 5. LESSONS LEARNED, IMPLICATIONS FOR FUTURE PROJECT DIRECTIONS

- (1) Microenterprise development projects should have especially clear goals with regard to institutional sustainability. If the benefit stream is expected to continue after A.I.D. funding ceases, the project should work from the start toward building sustainability institution that will either be financially self-sustaining or can develop appropriate alternative funding sources. In spite of institution building being an important part of A.I.D.'s assistance approach, none of the projects is stable enough to ensure continuity if donor support is curtailed.
- (2) More attention should be placed on graduating the credit institutions aiding microenterprises than on graduating the microenterprises themselves. If during the life of the project the lending institution can develop effective management procedures, establish solid loan portfolios and develop contacts with formal financial institutions they may have more of an opportunity to borrow and reloan formal sector funds than microenterprises have of obtaining independent formal sector financing. There was no evidence of graduation of beneficiaries to the formal financial sector. The banking system has shown little interest

in operating its doors to small and micro-business.

- (3) The creation of new market channels that ensure that the products of the assisted enterprise have a viable market is important to the success of the project and enterprise. Market demand should be an essential component in the determination of which type of project institutions to develop, and which type of enterprises to assist. In order for a project or enterprise to be successful there must be a real demand for their product or service.
- (4) The use of group or association-based training or technology transfer is particularly effective in insular, rural communities with a high proportion of indigenous people. FUNDAP has had considerable success in utilizing groups and representatives of groups for providing technical assistance in its industry-specific subprograms. Group-based activity also allows larger numbers of beneficiaries to be reached, improving cost-effectiveness. FUNDAP is experimenting with group lending and solidarity groups, but not enough time has elapsed to judge the results.
- (5) Greater employment and income generation impacts accrue from projects oriented towards servicing microenterprises than projects servicing the community through microenterprise development. It appears to be more cost-effective to reach people of modest means who have a skill and have been able to accumulate some assets, rather than reaching the "poorest of the poor." Both FDM and FAPE made working capital and fixed asset loans in the \$1,000 to \$3,500 range, to both new or established enterprises. These loans are small enough to reach the poor, but large enough to generate some impact. FUNDAP's technical assistance-intensive approach did not exhibit the potential for job or income generation when targeted on the unskilled in isolated rural areas. However, this approach when targeted on established firms with a real demand for their product did have a positive impact on firm income.
- (6) Women-specific microenterprise development programs can be successful if operated in a businesslike manner by lending on the basis of economic performance and not on the basis of female ownership. Women entrepreneurs may also be reached by lending to sectors that are dominated by women entrepreneurs. In some countries

that may be commerce, in others a type of light manufacturing.

- (7) Microenterprise lending projects are more likely to be successful if operated in a businesslike manner. Loans should be made to viable enterprises with solid pre-loan preparation including thorough business and marketing analyses, followed by loan monitoring with structured follow-on visits. Portfolios should be diversified and lending risks reduced to keep delinquent and defaulted loans to a minimum.
- (8) Microenterprise development projects can have significant secondary impact by focusing the attention of the host-country government or other donors on a region or sector of economic activity. The FUNDAP project has stimulated the government to strengthen the inputs in the area to further promote the sheep and wool industry. The increased activity in the area has also attracted the attention of the Food and Agricultural Organization to make substantial investments in the area.
- (9) The use of umbrella agencies as channels for funding appears to have a limited potential to contribute to the institutional sustainability of private voluntary organizations assisting microenterprises. Donor and government reliance on umbrella mechanisms is understandable from a management perspective. Centralization of project support through an umbrella mechanism gives the donor or government greater control and permits more efficient management of a large number of PVOs. In addition, a greater number of beneficiaries can be served in a large-scale program.

However, the type of assistance to PVOs provided by these umbrella agencies does not appear to sustain the flow of project benefits. FDM and FAPE have misgivings about the capacity of A.I.D.-assisted umbrella mechanisms, such as ASINDES and SIMME, to serve their long-term sustainability. In both cases, financial support from these umbrella agencies has not supported an expansion of the PVOs' loan portfolio, which would increase their ability to sustain a flow of benefits. Moreover, they do not consider funds from these umbrella agencies a reliable long-term source of financial support, principally because the institutions are subject to greater manipulation by government authorities or donors.

## APPENDIX A

### THE SIMME PROGRAM

#### Description of SIMME

Program Parameters and Policy. The Microenterprise Multiplier System (SIMME) was created under Government Decree No. 213-87 on March 25, 1987 by the Vice Presidency of the Government of Guatemala, with the formation of the National Commission for the Development of Micro and Small Enterprise. On September 29, 1987, the National Commission established the Technical Secretariat of SIMME, which in turn contracted with six nongovernmental organizations (NGOs) to carry out the daily operations of the Program. These NGOs are the following:

- Asociacion para el Desarrollo Comunitario (ADESCO)
- Fundacion de Asistencia para la Pequena Empresa (FAPE)
- Fundacion Guatemala (FUNDAGUATEMALA)
- Fundacion Desarrollo de Mixco (FUNDEMIX)
- Fundacion para el Desarrollo Empresarial (FUNDESEM)
- Fundacion para el Desarrollo de la Microempresa (MICROS)

On November 27, 1988, an agreement was signed between the National Commission and each of the NGOs setting forth the parameters and responsibilities of the signatories. The agreement reserved the right for the future incorporation of other NGOs as the Program progressed.

SIMME's basic philosophy is to generate employment in microenterprises in urban areas. Most of the microenterprises belong to the informal sector, with no ties to financial, training, or governmental institutions. SIMME provides two basic components--credit and training (managerial and technical). SIMME views itself as having a unique role in that it has been placed at a top governmental level (Vice Presidency), with the Program being implemented through private sector institutions.

Organizational Structure. Beyond the National Commission, which has oversight and policy responsibilities, and the Technical Secretariat, which is the executive coordinator, the program incorporates the Technical Training and Productivity Institute (INTECAP) to handle training. The Workers' Bank (BANTRAB) is the main financial entity involved. Inter-institutional coordination is carried out through the Advisory Board.

The SIMME Program has been incorporated in the National Development Plan of 1987-1991, thus embracing both a political and economic framework. The National Commission comprises representatives from five governmental ministries. The Technical Secretariat has responsibility for implementing all necessary coordinating actions with the NGOs and supervises the program.

BANTRAB, which has responsibility for administering the credit line to the microenterprises, was provided a trust contract with the Ministry of Finance on November 23, 1987. The trust's capital is constituted by a revolving fund equivalent to the initial capital base and can be expanded by international donations or national inputs.

The initial capital provided for the Program was Q8,230,000 (US\$3,292,000). Of this amount, Q5,625,000 (\$2,250,000) was set for credit, Q2,481,550 (\$992,620) for promotion, training, and technical assistance, and Q123,450 (\$49,380) to defray costs of the fiduciary organization (1.5 percent of capitalization).

INTECAP has the responsibility for providing training to both the technical and administrative staff of SIMME and the "asesores" within the NGOs, as well as managerial and technical assistance directly to the microenterprises within the program. INTECAP is a technical public entity with its own budget and has latitude to contract for specific training responsibilities. Its activities are geographically dispersed and cover most industry lines. For the microenterprise program, INTECAP created a Microenterprise Unit within the Division of Small and Medium Industry to organize and implement all training and technical assistance mentioned above.

The Ministry of Public Finance provides the financial resources to the SIMME Program and assists in obtaining external financing. The Guatemalan Central Bank supports the program, serving as financial intermediary in certain cases, providing data on the economy, and carrying out specialized consultancies. The Bank is a member of the Advisory Board. Another support organization is the Economic Planning Secretariat (SEGEPLAN), which assists in processing requests for technical and financial assistance from international organizations, and is responsible for the overall coordination of international support for the program. The program has received \$1.8 million from A.I.D. ESF local currency generations, plus \$1.1 million in technical assistance from the IDB.

Program Criteria. SIMME's first phase focus is on urban microenterprises in the capital city and the adjoining suburbs. Other urban areas will be targeted later. The microenterprises are eligible for loans of up to Q6,000 (\$2,222). Almost all loans are over Q1,000 (\$370). The following criteria apply:

- . No more than six employees, of which the microenterprise owner is one;
- . No more than Q12,000 (\$4,444) in assets;
- . The microenterprise must be in business for at least two years;
- . Employees are active predominantly in manual activities; and
- . There exists little or no division of labor.

General Program Methodology. SIMME's original goal was to extend loans to 40,000 microenterprises in manufacturing and service industries by the end of 1990. The commercial sector was purposely excluded. To reach this goal, a corps of Asesores was hired by the NGOs. Each Asesor was to be responsible for 60 approved loans to microenterprises each year, with the target to be achieved in the first six months of the year. Each NGO was to meet a monthly goal of 100 approved loans (10 for each of its 10 asesores) during the first half year.

To obtain approvals, the Asesor meets with the microenterprise and analyses the firm's operation, sales, production techniques, purchases, and any available financial data. A plan of action is agreed upon and submitted for review which, if approved by the Asesor's supervisor in the NGO and BANTRAB, is then sent to the Credit Committee (comprised of NGO, BANTRAB, and SIMME representatives) for final decision. Upon loan approval, the Asesor has responsibility for monitoring the credit with the microenterprise. Initially the Program carried a 14 percent interest but is now at 16 percent, on a par with the commercial bank rate. The loan can be used for working capital, purchase of fixed assets, or shop modification. The terms are 12 to 36 months with a possible three month grace period. The Program incorporates a supervisory and managerial element in that the Asesor provides monthly visits to the microenterprise. Also, prior to loan disbursement the microenterprise is taught the elementary use of credit instruments, such as checks, payment

receipts, and savings accounts. The microenterprises also receive group training through the Learning through Action (APA) course, in which no more than 15 entrepreneurs meet regularly to discuss common problems and possible solutions. Another training mechanism is the Productive Weekend Program, in which INTECAP provides technical assistance on Saturdays.

Loan activity in the entire SIMME Program (for all six NGOs) through September 1988 shows 2,932 credits approved for \$3,726,652, an average of \$1,271. About 79 percent of recipients were microenterprises involved in productive activities, with 21 percent involved in services. Average cost per loan to the NGOs was \$146. Nineteen percent of the borrowers were women. Eighty-one percent of the loan proceeds went into purchase of machinery and equipment and 19 percent for working capital. SIMME estimates that each loan generated 0.97 jobs (2,850 jobs for 2,932 loans).

*The following reports on related topics are available from CDIE:*

## **A.I.D. MICROENTERPRISE STOCKTAKING**

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*Taking Stock of A.I.D.'s Microenterprise Portfolio: Background and Conceptual Overview*

*A Statistical Look at A.I.D.'s Microenterprise Portfolio.*

*A.I.D.'s Experience with Small and Microenterprise Projects.*

### **A.I.D. Evaluation Occasional Papers**

*A.I.D.'s Microenterprise Stock-taking: Malawi Field Assessment, July 1989, No. 20 (PN-ABC-701).*

*A.I.D.'s Microenterprise Stock-taking: Senegal Field Assessment, July 1989, No. 21 (PN-ABC-702).*

*A.I.D.'s Microenterprise Stock-taking: Guatemala Field Assessment, July 1989, No. 22 (PN-ABC-703).*

*A.I.D.'s Microenterprise Stock-taking: Cameroon Field Assessment, July 1989, No. 23 (PN-ABC-704).*

*A.I.D.'s Microenterprise Stock-taking: Dominican Republic field Assessment, July 1989, No. 24 (PN-ABC-705).*

*A.I.D.'s Microenterprise Stock-taking: Paraguay Field Assessment, July 1989, No. 25 (PN-ABC-706).*

*A.I.D.'s Microenterprise Stock-taking: Ecuador Field Assessment, July 1989, No. 26 (PN-ABC-707).*

*A.I.D.'s Microenterprise Stock-taking: Bangladesh Field Assessment, July 1989, No. 27 (PN-ABC-708).*

*A.I.D.'s Microenterprise Stock-taking: Indonesia Field Assessment, July 1989, No. 28 (PN-ABC-709).*

*A.I.D.'s Microenterprise Stock-taking: Egypt Field Assessment, July 1989, No. 29 (PN-ABC-710).*